

## **Chairman's Address to AGM 2007**

The 2007 year has been one of successful transformation for Beaconsfield Gold from simply being an investor in a mining joint venture to an operator of its own mine.

When I addressed shareholders at the 2006 Annual General Meeting a year ago, I expressed confidence in the outlook for the Company, referring specifically to four major challenges that lay in front of us at the time. Those four challenges were: -

- Safe recommencement of operations at the Beaconsfield Mine and a return to commercial production;
- Resumption of trading of the Company's shares on the Australian Stock Exchange;
- Restructure of the Beaconsfield Mine ownership; and
- Realisation of value from our exploration opportunities.

I am pleased to report that considerable progress has been achieved in relation to each challenge, progress that has significantly transformed the Company. I will take a moment to summarise that progress.

### **Mine Operations**

The final restriction on underground mining was lifted on 28 September 2007 when Workplace Standards Tasmania accepted the Western Case for Safety. I am pleased to report that gold production from the high grade western stopes is scheduled to recommence next week, following the necessary development work.

Acceptance of the Western Case for Safety followed a progressive lifting of bans in other areas of the mine, commencing with decline development in November 2006, sill driving in April 2007 and eastern stope production in June 2007.

Production from the higher grade Western Zone of the mine, which is the key to returning to full profitable production, will utilise a non-entry mining method which will keep all personnel remote from the orebody during stoping.

Mine management and staff are to be commended on the effort involved in having all mining restrictions lifted. The Case for Safety process proved to be exhaustive, intensive and time consuming in the extreme.

### **Share Trading**

Trading of Beaconsfield Gold shares on the Australian Stock Exchange resumed on 20 April 2007, almost a year after the tragic rockfall of 25 April 2006.

### **Beaconsfield Mine Ownership**

At the time of the 2006 Annual General Meeting a year ago, the Company held a non-operating 48.49% interest in the Beaconsfield Mine Joint Venture, the owner of the Beaconsfield gold mine. The balance of 51.51% was held by the Allstate Explorations N L group which managed the mine. The position of Beaconsfield Gold was basically that of an investor with limited capacity to influence events at the mine and that was most unsatisfactory.

Since then the Company's long-held ambition to own and manage the Beaconsfield Mine has been realised. This significant transformation was completed in July 2007 following a process that involved four complex transactions.

- In January 2007 following a public tender process the Company acquired from Macquarie Bank the rights to debts totaling \$48 million owed to the bank by two subsidiaries of Allstate Explorations for \$2.85 million. The proceeds have been gifted by the bank to the 25 April 2006 workforce at the Beaconsfield Mine;
- On 27 February 2007 the deed administrators of the Allstate group retired after creditors approved a proposal that saw them paid out in full with funds provided by a loan from Beaconsfield Gold. Beaconsfield Gold's management then immediately assumed responsibility for the day-to-day operation of the Beaconsfield Mine;
- On 30 April 2007 Allstate shareholders approved the acquisition by Beaconsfield Gold of Newmont Australia's majority shareholding in Allstate; and
- In July 2007 the Beaconsfield Gold Group's shareholding in Allstate, and its interest in the Beaconsfield Mine, increased to around 90% and 95% respectively following the completion of a takeover for Allstate.

### **Exploration**

- Tasmania

Mine and regional exploration work was necessarily limited during the year as focus was on re-opening the mine. However, an underground drilling program, which commenced in July 2007, has already discovered a new mineralised structure 150m to the north of the Tasmania Reef. Drilling is continuing to better define this new structure.

A deep drilling program is planned for the 2008 calendar year aiming to extend the Tasmania Reef at depth below the F21 resource, between 1200 and 1500 metres below surface. Development of the 300m long hangingwall drive required to develop the appropriate drilling positions is well advanced, partially funded by a grant from the Federal Government.

A helicopter magnetic survey was completed during September 2007 to advance regional exploration around the Beaconsfield Mine, and a near-mine surface drilling program will commence within weeks.

Numerous compelling targets have been identified in and adjacent to the mine for future testing. As shareholders have heard me comment in the past, it is extraordinary that such a small amount of drilling has been done on tenements adjacent to a mine hosting an orebody as rich and large as the Tasmania Reef, which has already demonstrated endowment from surface of 2 million ounces.

- Victoria - Stavelly

Again field work was limited due to the focus on reopening the Beaconsfield Mine and restructuring mine ownership. However, the Stavelly Project remains a primary exploration target with excellent prospects for copper at Thursdays Gossan and gold at Fair View. New programs are planned for calendar 2008. A wild card is the recently formed joint venture whereby Mineral Sands Limited will test our south eastern tenement for mineral sands.

In summary, we have progressed exploration, but it will be calendar 2008 when we realistically have a proper chance to realise the value of our exploration opportunities.

### **Other Recent Development**

Against a backdrop of a significant increase in the Australian dollar gold price in recent months and predictions of continued price strength next year, in mid- November 2007 the Company closed out its entire gold hedging position, including that of its new subsidiary Allstate Explorations. We will now reap the benefit of having all production from the Beaconsfield Mine sold at spot price, which is presently over A\$900 per ounce.

The Company's banker, CBA, provided interim funding to close out the hedging positions. At a general meeting scheduled for next Tuesday shareholder approval is being sought for a placement of up to 60 million shares, with the proceeds principally ear-marked for repayment of the CBA facility.

### **An Overview**

The last 18 months has been both challenging and rewarding. We have substantially met the four challenges I outlined a year ago.

The most demanding challenge related to the recommissioning of the mine which will be completed next week when mining of the high-grade western stopes gets underway.

From a technical perspective, the Case for Safety process that was required by Workplace Standards Tasmania as a prerequisite for safe reopening of the mine proved an extremely complex requirement and was frustratingly slow. Nevertheless, its completion was essential to provide assurance that mining could recommence safely.

From a financing perspective, the challenge was to raise adequate funding during the period of mining suspension without undue dilution. Equity raised since April 2006 has funded:

- ◆ Maintenance of the mine and workforce during the long period of suspended mining;
- ◆ The cost of the Case for Safety process;
- ◆ The purchase of the Allstate debt rights from Macquarie Bank;
- ◆ The acquisition of the Allstate Explorations Group;
- ◆ The close out of 76,000 ounces of out-of-the-money gold hedges, including 37,000 ounces inherited from Allstate.
- ◆ Extensive redevelopment of the mine to enable recommencement of mining in accord with the Cases for Safety. In particular, considerable redevelopment has been necessary to implement safe remote mining methods in the high-grade western areas of the mine; and
- ◆ The commencement of in-mine and near-mine regional exploration.

Fortunately, investors recognised the potential of the mine and have provided the requisite funding to enable Beaconsfield Gold to transform itself to its current attractive position. I thank investors for their support. I also must pay tribute to the outstanding performance of Mike Trumbull, Bill Colvin and Brian Coulter in successfully managing the transformation.

The present position is that Beaconsfield Gold has an effective 100% beneficial interest in a substantial high-grade gold mine that is nearing complete recommissioning. At 30 March 2006, just prior to the suspension of mining, identified resources were 881,000 tonnes @ 15.6g/t gold, for 443,000 contained ounces. As the mine gradually achieves full recommissioning and profitable production I expect that investors will begin to better appreciate the attractiveness of the position.

When mining was suspended in early 2006 the gold price was approximately A\$800 per ounce and mining was strongly cash positive. Given that Beaconsfield Gold is now entirely unhedged and the current gold price is over A\$900 per ounce, we anticipate obtaining healthy operating margins going forward.

### **Future**

We have a high-grade orebody with good reserves that are open at depth, very prospective exploration leases at Beaconsfield and western Victoria, a highly competent and energetic workforce and a supportive group of shareholders. With that combination of resources I look forward to the future with confidence.